

Muskegon Area Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2008

Muskegon Area Intermediate School District

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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be Muskegon Area Intermediate School District Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

The Governmental Accounting Standards Board in their Statement No. 34 adopted this new reporting model; *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in June 2000.

Generally accepted accounting principles according to GASB 34 require the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Muskegon Area Intermediate School District as a whole. The *District-wide Financial Statements* provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Intermediate School District's operations in more detail than the district-wide financial statements by providing information about the Intermediate School District's most significant funds: the General Fund, Special Education Fund, Vocational Education (Career Tech Center) Fund, and Cooperative Education (Head Start) Fund.

Reporting the Intermediate School District as a Whole ***District-Wide Financial Statements***

The district-wide financial statements include the statement of net assets and the statement of activities. These statements, which appear first in the Intermediate School District's financial statements, report information on the Intermediate School District as a whole and its activities in a way to provide an easy-to-understand overview of the Intermediate School District's financial position and results of operations for the year. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Muskegon Area Intermediate School District's net assets (the difference between assets and liabilities, as reported in the statement of net assets) as one way to measure the Intermediate School District's financial health or financial position. The statement of net assets and statement of activities report the governmental activities of the Muskegon Area Intermediate School District, which encompass all of the Intermediate School District's services, including instruction, supporting services, and community services. Property taxes, state aid, and federal grants finance most of these activities.

Over time, increases or decreases in the Intermediate School District's net assets (as reported in the statement of activities) are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Intermediate School District's operating results. However, Muskegon Area Intermediate School District exists to provide services to our local school districts, their staff, and the students they serve. Consideration of other non-financial factors, such as the quality of services provided, is needed to assess the overall health of the Muskegon Area Intermediate School District.

The Intermediate School District's mission is to provide the leadership, programs and services that complement and enhance the efforts of the constituent school districts in extending educational opportunities to all students. The Intermediate School District does not focus on generating profits as commercial entities do. The Intermediate School District accomplishes its mission through innovative partnerships, technology, training, professional development and research.

The Intermediate School District offers a wide range of services focused on improving learning. The Intermediate School District serves twelve local public school districts, along with nonpublic, charter schools and other school districts outside of our county.

Created by State legislation in 1962 to serve local schools and act as a liaison between them and the Michigan Department of Education, the Intermediate School District is one of 57 intermediate school districts in the state. The Intermediate School District is a shared-community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

Reporting the Intermediate School District's Most Significant Funds Fund Financial Statements

The Intermediate School District's fund financial statements provide detailed information about the most significant funds—not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the Intermediate School District has established other funds to help it control and manage money for particular purposes. The governmental funds of the Intermediate School District use the following accounting approach:

All of the Intermediate School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Intermediate School District's programs. The audited financial statements describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in a reconciliation schedule.

The Intermediate School District's Funds

The Intermediate School District uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Intermediate School District's overall financial health.

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of \$19.1 million, which is an increase of approximately \$2.9 million from last year.

- The General Fund reflects a fund balance increase of \$510,143 from the prior year. Revenues increased by approximately 20.16% from prior year levels primarily due to increase in local revenues such as property taxes, investment income and transfers in primarily due to higher administrative fees from other funds, state and federal funds due to new grants, the fingerprinting project and also MUNIS the new financial system. The expenditures increased by 18.09% primarily due to the fingerprinting project and the purchase of the MUNIS financial system.
- In the Special Education Fund, our largest fund, the fund balance increased by \$348,010 to \$1,556,623. This actual amount is a surplus instead of a balanced budget. Revenues increased 3.95% while expenditures increased by 3.07% in comparison with the prior year. Overall, actual Special Education revenues were within 1.09% higher and expenses were .08% higher of budgeted amounts.
- The Vocational Education Fund experienced a fund balance increase of \$1,471,696. In September 2002, voters approved a 1.0 mill tax levy for the new Muskegon Area Career Tech Center located on the Muskegon Community College campus. The fund balance at year end reflects property tax collections from the current year to be applied to building construction and leasing costs, classroom setups, and ongoing staffing and operational needs of our new Career Tech Center. This countywide centralized program began administrative operations in October of 2002. Classrooms in the newly built facility began in January 2005. Construction of the centralized Career Tech Center building was completed in June 2005.

The Intermediate School District as a Whole

The statement of net assets provides the perspective of the Intermediate School District as a whole. Table 1 provides a summary of the Intermediate School District's net assets as of June 30, 2008.

Table 1

	2006-07 Governmental Activities (in millions)	2007-08 Governmental Activities (in millions)
Assets		
Current and other assets	\$ 34.4	\$ 38.6
Capital assets – Net of accumulated depreciation	6.0	6.9
Total Assets	\$ 40.4	\$ 45.5
Liabilities		
Current liabilities	\$ 18.3	\$ 19.7
Long-term liabilities	1.0	1.2
Total Liabilities	\$ 19.3	\$ 20.9
Net Assets		
Invested in property and equipment – Net of related debt	\$ 5.4	\$ 6.3
Restricted	12.0	13.8
Unrestricted	3.7	4.5
Total Net Assets	\$ 21.1	\$ 24.6

The aforementioned analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Intermediate School District's governmental activities is discussed below. The District's net assets were \$24.6 million at June 30, 2008. Capital assets, net of related debt compares the original cost, less accumulated depreciation of the Intermediate School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be paid from currently held investments. A portion of net assets, \$13.8 million, is legally restricted for special and vocational education programs, debt payments and donor-designated purposes. The remaining amount of net assets, \$4.5 million, is unrestricted. The operating results of all four major funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008. Since this is the sixth year the Intermediate School District has prepared financial statements following GASB Statement 34, revenue and expense comparison to fiscal year 2007 is available.

Table 2

	2006-07 Governmental Activities (in millions)	2007-08 Governmental Activities (in millions)
Revenue		
Program Revenue		
Charges for services	\$ 7.3	\$ 8.3
Grants and contributions	24.0	24.5
General revenue		
Property taxes	15.9	16.8
Unrestricted state aid	5.9	6.2
Other	1.3	1.1
Total Revenue	\$ 54.4	\$ 56.9

FY2008 Revenues - \$56.9 Million
FY2007 Revenues - \$54.4 Million
FY2006 Revenues - \$51.2 Million

Revenue Comparison

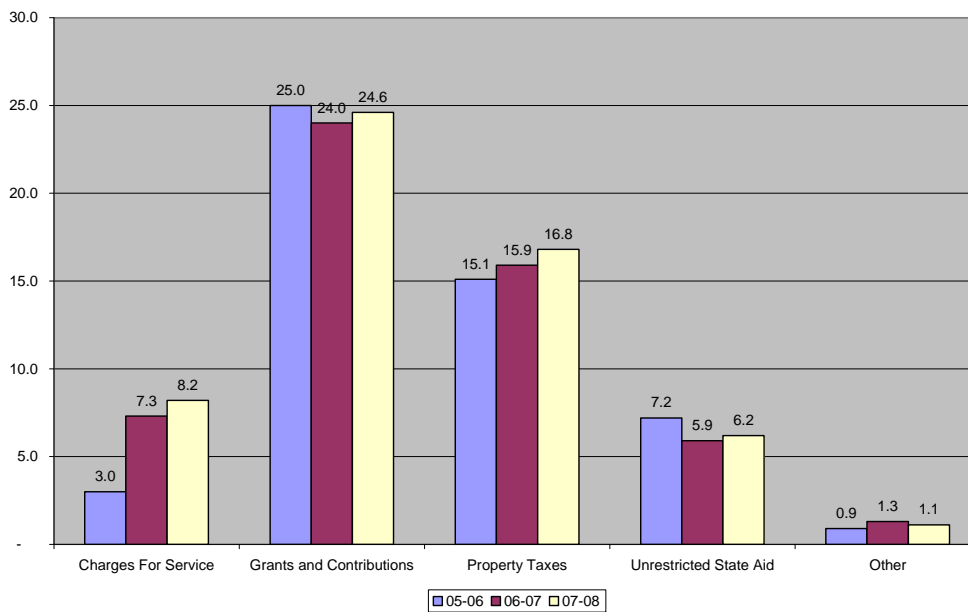
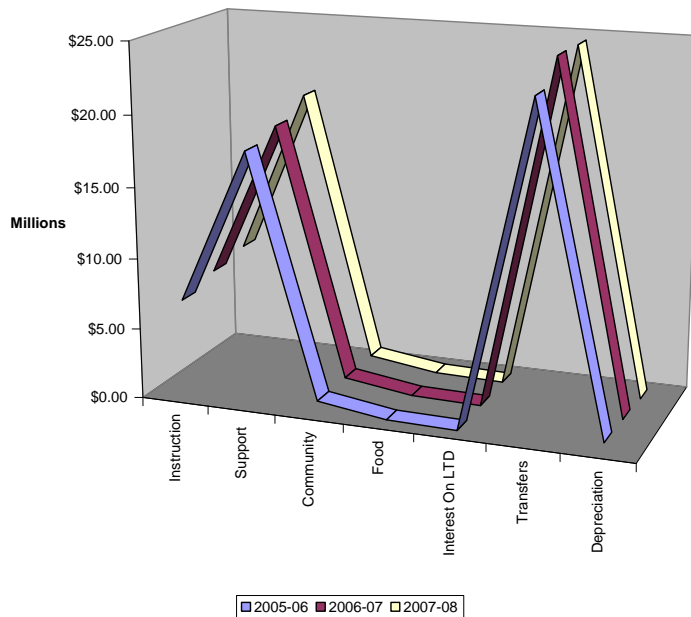


Table 2 (cont'd)

	2006-07 Governmental Activities (in millions)	2007-08 Governmental Activities (in millions)
Function/Program Expenses		
Instruction	\$ 7.6	\$ 8.1
Support services	18.4	19.7
Community services	.8	.8
Food services	.1	.1
Interest on long-term debt	.0	.0
Inter-district transfers	24.7	24.5
Unallocated depreciation	.3	.0
Total Expenses	\$ 52.0	\$ 53.2

FY2008 Expenses - \$53.2 Million
FY2007 Expenses - \$52.0 Million
FY2006 Expenses - \$49.0 Million

Comparison of Expenses



As reported in the statement of activities, the cost of all our governmental activities this year was \$53.2 million. Certain activities were partially funded by those who benefited from the programs (\$8.3M) or by other governments and organizations that subsidized certain programs with grants and categorical aid (\$24.5M). The Muskegon Area Intermediate School District paid for the remaining "public benefit" portion with \$16.8 million in property tax revenue, \$7.3 million in unrestricted state aid, and with other revenues, such as interest income. Additionally, the Muskegon Area Intermediate School District experienced an increase in net assets of \$3.5 million.

The net cost shows the financial burden that was placed on the Muskegon Area Intermediate School District taxpayers and on the State. Since property taxes for operations and unrestricted state aid constitute a major part of the Intermediate School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Intermediate School District and the local districts it serves and balance those needs with available tax revenues and unrestricted state aid revenue.

Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Intermediate School District revises its budget as we attempt to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Material changes to original budgets for the General, Special Education, Vocational Education, and Cooperative Education fund budgets are as follows:

- General Fund: Budgeted revenues and expenditures increased primarily due to the new MUNIS Financial System and the addition of new grants like High Priority Schools and Teaching American History. This fund ended with a \$510K surplus. The total fund balance is \$3.7M.
- Special Education Fund: Budgeted revenues and expenditures increased primarily based upon increases in the initial amounts of federal and state grants. Also the transportation consortium budget adjustments also affect the variances between the original and final budgets. The budgeted amounts for revenues and expenditures were exceeded due to the fact that local districts Special Education expenditures and number of students receiving service from the MAISD affect the final numbers available for distribution to districts. This fund ended the year with a \$348K surplus instead of balanced budget. The total fund balance is \$1.6M.
- Vocational Education Fund: Revenue adjustments reflect an increase over the original budget amounts due to additional tax revenues and additional federal grants income. Expenditures increased primarily due to the purchase of 7 lots for a new construction class. This fund ended the year with a \$1.5M surplus. The total fund balance is \$12.3M.
- Cooperative Education Fund: The year end for our federal Head Start program is November, which creates budgeting difficulties in compliance with the Intermediate School District's fiscal year end. Total grant award amounts are initially budgeted, and then later adjusted to reflect a more accurate spending pattern for this large federal grant.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008 the Intermediate School District had \$11.7 million invested in capital assets. This amount represents a net increase, including additions and deletions, of \$55,739 or 1.05%, from last year.

	2007	2008
Land	\$ 100,500	\$ 276,115
Buildings & Improvements	8,277,306	8,360,092
Buses and other vehicles	1,292,180	1,396,585
Furniture and equipment	1,991,753	3,089,333
Total capital assets	\$ 11,661,739	\$ 13,122,125
Less accumulated depreciation	6,289,879	6,815,704
Net Capital Assets	\$ 5,371,860	\$ 6,306,421

This year's deductions of \$6,410 were strictly equipment. This year's additions equal \$1,466,796 of which \$175,615 was for land. The additional accumulated depreciation was \$532,235 for net additions of \$934,561. Additions include land, building and improvements, vehicles and equipment. Overall Net Capital Assets increased by 17.40%.

The Intermediate School District issued \$750,000 Bonds in 2003 related to the construction of a Fiber Optic System. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Intermediate School District's ability to use those net assets for unrestricted day-to-day operations. The remaining amount of net assets, \$3,681,072 was unrestricted.

Debt Administration

At June 30, 2008, Muskegon Area Intermediate School District had \$968,131 in bonds outstanding. Those bonds are Durant obligation bonds at \$503,131 that are the responsibility of the State of Michigan and 2003 Fiber Optic System Bonds at \$465,000.

	2007	2008
Durant Bond Obligations	\$ 503,131	\$ 503,131
2003 Fiber Optic System Bonds	540,000	465,000
Total Outstanding Debt	\$ 1,043,131	\$ 968,131

The State limits the amount of general obligation debt that intermediate school districts can issue without a vote of the electors. The debt limit is limited to 1/9 of 1% of the state equalized valuation of the taxable property within the Intermediate School District. If the Intermediate School District issues "qualified debt", i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

The Durant obligation is payable in annual installments ranging from \$47,422 to \$299,470 including interest at 4.76% due May 2009 to 2013. The Intermediate School District is obligated to make the annual principal and interest payments only to the extent of annual State of Michigan state school aid appropriations for such installments. The 2003 Fiber Optic System Bonds is payable in annual installments ranging from \$75,000 to \$85,000 due May 1, 2009 to 2014, plus interest ranging from 3.27% to 3.85% payable semi-annually.

Economic Factors and Next Year's Budgets

As compared to the local school districts within the Muskegon Area Intermediate School District, the Intermediate School District is more dependent on property tax revenue and less dependent on state aid. Muskegon Area Intermediate School District exists to provide services to local school districts, their staff, and the students they serve. Local district needs determine the nature and focus of our service efforts. The challenges our local districts currently face include: a sharp economic downturn that limits revenue while cost levels continue to increase, a general decline in student population, increased professional development needs due to the requirements of No Child Left Behind Act and other legislation, changes in special education laws and increased emphasis on early identification of children with special needs, and the loss of experienced teaching and administrative staff, to name just a few. All of these factors have an economic impact and directly affect the scope of our service effort.

One piece of legislation was signed into law that affects school funding is All Day Kindergarten and in its first year it is estimated to cost approximately \$4 million in Muskegon County alone for additional staff and building needs.

The 2008-09 State Aid Bill which establishes funding for schools was agreed in August 2008 even though the schools fiscal year began July 1, 2008. There are continuous economic struggles in Michigan and now the whole country has similar economic woes. There is great concern that the state will not be able to fund districts to the amount it promised in the current School Aid Bill due to the bad economic conditions. The economic struggles are expected to continue in the foreseeable future.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the Muskegon Area Intermediate School District's finances for all those with an interest in the Intermediate School District's finances. If you have questions about this report or need additional information, contact Marios Demetriou, Associate Superintendent for Administrative Services, 630 Harvey Street, Muskegon, MI 49442, phone 231-767-7207, fax 231-773-3498 or Email mdemetri@muskegonisd.org.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

November 10, 2008

Board of Education
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the Schools District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Muskegon Area Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Muskegon Area Intermediate School District, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated November 10, 2008, on our consideration of Muskegon Area Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

BRICKLEY DELONG

Board of Education
November 10, 2008
Page 2

The management's discussion and analysis and budgetary comparison information on pages i - ix and 29 - 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements on pages 34 - 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
June 30, 2008

	ASSETS	Governmental activities
CURRENT ASSETS		
Cash and cash equivalents		\$ 17,086,776
Investments		9,969,707
Receivables		87,162
Due from other governmental units		11,422,241
Prepaid expenses		42,056
Total current assets		38,607,942
NONCURRENT ASSETS		
Capital assets, net		
Nondepreciable		276,115
Depreciable		6,030,306
Notes and interest receivable		627,600
Total noncurrent assets		6,934,021
Total assets		45,541,963
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		17,016,213
Due to other governmental units		1,455,118
Deferred revenue		1,119,797
Bonds and other obligations, due within one year		122,422
Total current liabilities		19,713,550
NONCURRENT LIABILITIES		
Bonds and other obligations, less amounts due within one year		1,186,850
Total liabilities		20,900,400
NET ASSETS		
Invested in capital assets, net of related debt		6,306,421
Restricted		
Special Education		1,556,623
Vocational Education		12,295,858
Unrestricted		4,482,661
Total net assets		\$ 24,641,563

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense)
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	Revenue and Changes in Net Assets
Governmental activities				<u>Governmental activities</u>
Instruction	\$ 8,091,359	\$ 95,524	\$ 639,917	\$ (7,355,918)
Support services	19,655,112	7,956,530	4,989,189	(6,709,393)
Community services	843,444	48,169	827,774	32,499
Food services	91,605	3,707	92,645	4,747
Interest on long-term debt	17,956	-	-	(17,956)
Interdistrict transfers	24,467,726	71,410	18,003,837	(6,392,479)
Total governmental activities	<u>\$ 53,167,202</u>	<u>\$ 8,175,340</u>	<u>\$ 24,553,362</u>	(20,438,500)
General revenues				
Property taxes levied for				
General purposes				2,067,457
Special education				10,258,149
Vocational education				4,460,804
Grants and contributions not restricted to specific programs				6,243,063
Investment earnings				947,561
Miscellaneous				126,048
Total general revenues				<u>24,103,082</u>
Change in net assets				3,664,582
Net assets at July 1, 2007				<u>20,976,981</u>
Net assets at June 30, 2008				<u>\$ 24,641,563</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
BALANCE SHEET
Governmental Funds
June 30, 2008

	General Fund	Special Education	Cooperative Education	Vocational Education	Other governmental funds	Total governmental funds
ASSETS						
Cash and cash equivalents	\$ 3,270,932	\$ 8,365,608	\$ 1,084	\$ 4,735,192	\$ 713,960	\$ 17,086,776
Investments	1,017,772	3,887	-	7,929,316	1,018,732	9,969,707
Taxes receivable	8,102	40,512	-	17,617	-	66,231
Accounts receivable	-	-	-	82,551	4,611	87,162
Due from other governmental units	1,059,455	8,813,393	871,880	611,282	-	11,356,010
Due from other funds	24,059	-	-	-	510,143	534,202
Prepaid expenses	26,363	9,668	693	5,332	-	42,056
Total assets	<u>\$ 5,406,683</u>	<u>\$ 17,233,068</u>	<u>\$ 873,657</u>	<u>\$ 13,381,290</u>	<u>\$ 2,247,446</u>	<u>\$ 39,142,144</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 429,059	\$ 14,454,208	\$ 9,519	\$ 536,314	\$ 717,274	\$ 16,146,374
Accrued liabilities	124,266	408,700	20,191	213,228	-	766,385
Due to other governmental units	-	594,224	830,938	29,956	-	1,455,118
Due to other funds	544,713	34,044	13,009	2,872	4,746	599,384
Deferred revenue	631,466	185,269	-	303,062	-	1,119,797
Total liabilities	1,729,504	15,676,445	873,657	1,085,432	722,020	20,087,058
Fund balances						
Reserved						
Prepaid expenses	26,363	9,668	-	5,332	-	41,363
Capital projects	-	-	-	-	1,515,107	1,515,107
Unreserved						
Designated for ISD wide projects	-	393,884	-	-	-	393,884
Designated for special education facilities	-	697,085	-	-	-	697,085
Designated for vocational education	-	-	-	12,250,894	-	12,250,894
Designated for compensated absences	145,523	155,986	-	39,632	-	341,141
Undesignated						
General Fund	3,505,293	-	-	-	-	3,505,293
Special Education	-	300,000	-	-	-	300,000
School service	-	-	-	-	10,319	10,319
Total fund balances	<u>3,677,179</u>	<u>1,556,623</u>	<u>-</u>	<u>12,295,858</u>	<u>1,525,426</u>	<u>19,055,086</u>
Total liabilities and fund balances	<u>\$ 5,406,683</u>	<u>\$ 17,233,068</u>	<u>\$ 873,657</u>	<u>\$ 13,381,290</u>	<u>\$ 2,247,446</u>	<u>\$ 39,142,144</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2008

Total fund balance—governmental funds	\$	19,055,086
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 13,122,125		
Accumulated depreciation	<u>(6,815,704)</u>		6,306,421

Other long-term note and interest receivable in governmental activities is not reported in the governmental funds.		627,600
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Accrued interest in governmental activities is not reported in the governmental funds.		(103,454)
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Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.		(1,309,272)
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Internal service funds fund balances are not part of the governmental funds, but are reported in the Statement of Net Assets		<u>65,182</u>
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>24,641,563</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2008

	General Fund	Special Education	Cooperative Education	Vocational Education	Other governmental funds	Total governmental funds
REVENUES						
Local sources						
Property taxes	\$ 2,064,271	\$ 10,241,753	\$ -	\$ 4,437,338	\$ -	\$ 16,743,362
Medicaid reimbursement	-	3,311,888	-	-	-	3,311,888
Investment earnings	183,534	236,333	-	458,736	71,093	949,696
Drivers education / poly plot	10,010	-	-	-	-	10,010
Tuition / fees	36,603	-	1,676	-	-	38,279
Rental income	203	29,184	-	-	-	29,387
Resale charges	137,253	-	-	-	-	137,253
Data processing	581,090	-	-	-	-	581,090
Printing	39,554	-	-	-	-	39,554
Other	301,845	40,234	-	139,483	330	481,892
Total local sources	3,354,363	13,859,392	1,676	5,035,557	71,423	22,322,411
State sources	1,452,626	7,757,245	-	1,547,360	7,613	10,764,844
Federal revenues	1,649,427	8,092,331	5,966,855	1,029,651	85,032	16,823,296
Total revenues	6,456,416	29,708,968	5,968,531	7,612,568	164,068	49,910,551
EXPENDITURES						
Instruction	4,413	5,018,597	-	3,037,476	-	8,060,486
Support services	8,017,062	9,155,246	732,655	2,203,164	-	20,108,127
Community services	158,198	25,939	603,037	-	-	787,174
Food services	-	-	-	-	91,605	91,605
Debt service						
Principal	-	-	-	-	75,000	75,000
Interest and other charges	-	-	-	-	18,408	18,408
Capital projects	-	-	-	-	3,664	3,664
Total expenditures	8,179,673	14,199,782	1,335,692	5,240,640	188,677	29,144,464
Excess (deficiency) of revenues over (under) expenditures	(1,723,257)	15,509,186	4,632,839	2,371,928	(24,609)	20,766,087
OTHER FINANCING SOURCES (USES)						
Transfers from other governmental units and other transactions	1,975,132	4,933,130	23,256	5,635	96,496	7,033,649
Transfers in	1,239,797	-	-	-	510,473	1,750,270
Transfers out	(510,253)	(851,515)	(1,800)	(386,702)	-	(1,750,270)
Transfers to other governmental units and other transactions	(471,276)	(19,242,791)	(4,654,295)	(519,165)	(4,747)	(24,892,274)
Total other financing sources (uses)	2,233,400	(15,161,176)	(4,632,839)	(900,232)	602,222	(17,858,625)
Net change in fund balances	510,143	348,010	-	1,471,696	577,613	2,907,462
Fund balances at July 1, 2007	3,167,036	1,208,613	-	10,824,162	947,813	16,147,624
Fund balances at June 30, 2008	\$ 3,677,179	\$ 1,556,623	\$ -	\$ 12,295,858	\$ 1,525,426	\$ 19,055,086

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
 For the year ended June 30, 2008

Net change in fund balances—total governmental funds	\$ 2,907,462
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.	
Capital outlay	\$ 1,466,795
Depreciation expense	<u>(532,235)</u>
	934,560
Principal payments received on notes receivable are reported as revenue in the governmental funds, but the payment reduces long-term assets in the Statement of Net Assets.	(2,437)
Interest income on long-term note receivable is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until received.	14,302
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	75,000
Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	(13,850)
Compensated absences reported on the accrual method in the Statement of activities and reported as expenditures when financial resources are used in the governmental funds.	(232,415)
The net revenue (expense) of certain activities of internal service funds are not reported in the governmental funds, but are reported in the Statement of Activities.	<u>(18,040)</u>
Change in net assets of governmental activities	<u>\$ 3,664,582</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF NET ASSETS
Internal Service Funds
June 30, 2008

ASSETS

Due from other funds	\$ 65,182
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LIABILITIES AND NET ASSETS

Liabilities	<u>-</u>
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Net assets

Unrestricted	<u><u>\$ 65,182</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Internal Service Funds
For the year ended June 30, 2008

REVENUES	
Charges for services	\$ -
EXPENSES	
Costs of services	<u>18,040</u>
Change in net assets	(18,040)
Net assets at July 1, 2007	<u>83,222</u>
Net assets at June 30, 2008	<u><u>\$ 65,182</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF CASH FLOWS
Internal Service Funds
For the year ended June 30, 2008

Cash flows from operating activities	
Payments for premiums and claims	\$ 18,040
Payments from other funds for services	<u>(18,040)</u>
Net increase in cash	-
Cash balances at July 1, 2007	<u>-</u>
Cash balances at June 30, 2008	<u><u>\$ -</u></u>
 Cash flows from operating activities	
Change in net assets	\$ (18,040)
Adjustments to reconcile change in net assets	
to net cash provided by operating activities	
(Increase) decrease in operating assets	
Due from other funds	<u>18,040</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds
June 30, 2008

		Agency funds	
	Combined	Student activities	Fiber consortium
ASSETS			
Cash and cash equivalents	\$ 55,122	\$ 55,122	\$ -
Accounts receivable	<u>709,308</u>	<u>-</u>	<u>709,308</u>
	<u>\$ 764,430</u>	<u>\$ 55,122</u>	<u>\$ 709,308</u>
LIABILITIES			
Deposits held for others	<u>\$ 764,430</u>	<u>\$ 55,122</u>	<u>\$ 709,308</u>

The accompanying notes are an integral part of this statement.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Area Intermediate School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected five-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds, internal service funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its special education, cooperative education and vocational education activities in the special revenue funds.

The other nonmajor governmental funds are reported within the following types:

- The *Food Service Fund* accounts for resources utilized in the food service program as per Michigan Department of Education guidelines.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Internal service funds – Internal service funds account for expenses for unemployment services on a cost reimbursement basis.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

Proprietary funds' operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30, 2008 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and Debt Retirement Fund is generally allocated to each fund using a weighted average of balances for the principal.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	0.4597
Special Education Fund - Homestead and non-homestead	2.2987
Vocational Education Fund - Homestead and non-homestead	0.9996

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Buildings and improvements	45 years
Buses and other vehicles	10 years
Furniture and other equipment	5-10 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid expenses, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Assistant Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

The General Fund's outgoing transfers exceeded budget by \$60,720 due to the transfer of \$255,072 to the Capital projects fund. Special Education pupil transportation services exceeded budget by \$686,896, and outgoing transfers exceeded budget by \$22,239. Vocational Education transfers exceeded budget by \$106,278. Both Special Education and Vocational Education transfers were funded by increased grant and local revenues. Special Education pupil transportation services were funded by increased state aid.

Fund Deficit

As of June 30, 2008, the 2003 Fiber Capital Project Fund had a deficit of \$428,910. The deficit will be eliminated through future billings to local school districts.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2008, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's Rating	Percent
MILAF external investment pool				
Cash Management Class	\$ 974	49	AAAm	0.01 %
MAX Class	7,668,733	49	AAAm	76.92
Fixed income portfolio				
MILAF and Term E	1,300,000	71	AAAm	13.04
MILAF and Term E	<u>1,000,000</u>	<u>84</u>	<u>AAAm</u>	<u>10.03</u>
Total fair value	<u>\$ 9,969,707</u>			<u>100.00 %</u>
Portfolio weighted average maturity		<u>55</u>		

The School District voluntarily invests certain excess funds in external investment pools (Pools) which include money market funds. One of the Pools utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external investment pool of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. The fair value of the School District's investments is the same as the value of the Pool shares.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The School District will accomplish this by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Credit risk. State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in the single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2008, \$17,435,225 of the School District's bank balance of \$17,635,225 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - investments. This is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District will minimize custodial credit risk by limiting investment to the types of securities allowed by law and prequalifying the financial institutions, broker/dealer, intermediaries and advisors with which the School District will do business.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 100,500	\$ 175,615	\$ -	\$ 276,115
Capital assets, being depreciated:				
Buildings and improvements	8,277,306	82,786	-	8,360,092
Equipment	1,991,753	1,103,990	6,410	3,089,333
Vehicles	1,292,180	104,405	-	1,396,585
Total capital assets, being depreciated	11,561,239	1,291,181	6,410	12,846,010
Less accumulated depreciation:				
Buildings and improvements	4,850,327	166,939	-	5,017,266
Equipment	613,512	209,512	6,410	816,614
Vehicles	826,040	155,784	-	981,824
Total accumulated depreciation	6,289,879	532,235	6,410	6,815,704
Total capital assets, being depreciated, net	5,271,360	758,946	-	6,030,306
Capital assets, net	\$ 5,371,860	\$ 934,561	\$ -	\$ 6,306,421

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 105,068
Support services	415,427
Community services	11,740
	<u>\$ 532,235</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 3,432
General Fund	Vocational Education Fund	2,872
General Fund	Food Service Fund	4,746
General Fund	Cooperative Education Fund	13,009
Capital projects fund	General Fund	510,143
Internal Service Fund	General Fund	34,570
Internal Service Fund	Special Education Fund	30,612
		<u>\$ 599,384</u>

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$510,253 to the Capital Project Fund. The Special Education Fund transferred \$851,405 to the General Fund and \$110 to the Capital Projects Fund. The Vocational Education Fund transferred \$386,592 to the General Fund and \$110 to the Capital Project Fund, and the Cooperative Education Fund transferred \$1,800 to the General Fund. All transfers were to finance operations or internal cost reimbursements.

NOTE F—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds	\$ 1,043,131	\$ -	\$ 75,000	\$ 968,131	\$ 122,422
Compensated absences	<u>108,726</u>	<u>232,415</u>	<u>-</u>	<u>341,141</u>	<u>-</u>
	<u>\$ 1,151,857</u>	<u>\$ 232,415</u>	<u>\$ 75,000</u>	<u>\$ 1,309,272</u>	<u>\$ 122,422</u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE F—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

General obligation bonds consist of the following:

Durant obligations payable in annual installments ranging from \$47,422 to \$299,470 including interest at 4.76% due May 2009 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan appropriations.	\$ 503,131
2003 Fiber Optic System bonds payable in annual installments ranging from \$75,000 to \$85,000 due May 2009 to 2014; plus interest ranging from 3.05% to 3.85% payable semi-annually	<u>465,000</u>
Total bonded debt	968,131
Compensated absences	<u>341,141</u>
	<u><u>\$ 1,309,272</u></u>

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Net Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

The annual requirements of principal and interest to amortize bonded debt outstanding as of June 30, 2008 follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 122,422	\$ 28,851	\$ 151,273
2010	124,678	24,292	148,970
2011	127,044	19,457	146,501
2012	129,519	14,347	143,866
2013	379,468	108,885	488,353
2014	<u>85,000</u>	<u>3,299</u>	<u>88,299</u>
	<u><u>\$ 968,131</u></u>	<u><u>\$ 199,131</u></u>	<u><u>\$ 1,167,262</u></u>

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE G—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008, was 16.72 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPERS Board of Trustees. The School District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were approximately \$1,619,300, \$1,580,000, and \$1,407,000, respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE G—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued

Post-retirement health care benefits – Pursuant to employment contracts and years of service, certain employees electing early retirement are provided post-retirement health care benefits which vary depending on the plan chosen and their age at retirement. Health care benefits terminate the month the person attains eligibility for full social security benefits, or dies, whichever comes first. The School District records expenditures for these benefits when premiums are due. Future benefits will be funded out of future revenues. The cost of these benefits for the year ended June 30, 2008 were approximately \$20,000 provided to fifteen participants.

NOTE H—COMMITMENTS AND CONTINGENCIES

Commitments

- **Operating Leases** – The School District has lease agreements expiring at various dates through February 2012. Expense for the year ended June 30, 2008 was approximately \$84,000. The following is a schedule of future minimum rental payments required under operating leases for School District office equipment.

Year ending June 30,	Amount
2009	\$ 56,508
2010	42,667
2011	16,854
2012	6,004
	<u>\$ 122,033</u>

The School District also entered into a lease of real property which terminates August 2010. The lease requires monthly payments of \$775 in the first year, \$798 in the second year, and \$822 in the third year. The School District is responsible for all operating costs and certain building maintenance items. The lease can be renewed for two additional years with a 3 percent monthly rent increase for each year. Rent expense for the year ended June 30, 2008 was approximately \$9,300.

The School District also entered into a lease of real property which terminates June 2009. The lease requires monthly payments of \$876 in the first year and \$902 in the second year. The School District is responsible for all operating costs and certain building maintenance items. The lease can be renewed for two additional years with a 3 percent monthly rent increase for each year. Rent expense for the year ended June 30, 2008 was approximately \$10,500.

The School District also entered into a lease of real property which terminates December 2010. The lease requires monthly payments of \$760. The School District is responsible for all operating costs and certain building maintenance items. The lease can be renewed for two additional years with a 5 percent monthly rent increase for each year. Rent expense for the year ended June 30, 2008 was approximately \$4,600.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE H—COMMITMENTS AND CONTINGENCIES—Continued

Commitments—Continued

- **Career Tech Center Lease** – The School District has entered into a lease with Muskegon Community College (College) to lease a Career Tech Center on the College campus. The lease payments are equivalent to the College's debt service needs of the \$8,070,000 bonds issued to construct the Career Tech Center, plus \$25,000 a year for capital maintenance. The following is a schedule of future minimum rental payments required under the lease.

Year ending June 30,	Amount
2009	\$ 611,855
2010	613,730
2011	628,680
2012	631,980
2013	638,855
2014-2018	3,259,420
2019-2023	3,379,940
	<u>\$ 9,764,460</u>

Contingencies

- **Litigation** - The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **Federal Programs** – The School District participates in federally-assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Muskegon Area Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2008

NOTE I—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 17.2 percent of General Fund revenues, approximately 22.4 percent of Special Education revenues and 20.3 percent of Vocational Education revenues.

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

NOTE J—SUBSEQUENT EVENT

The School District has entered into several contracts for building and land improvements and equipment purchases totaling approximately \$218,200.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 2,658,899	\$ 3,729,702	\$ 3,354,363	\$ (375,339)
State sources	1,553,270	1,682,801	1,452,626	(230,175)
Federal sources	1,405,360	2,502,128	1,649,427	(852,701)
Incoming transfers and other transactions	3,451,040	3,620,485	3,214,929	(405,556)
Total revenues	9,068,569	11,535,116	9,671,345	(1,863,771)
EXPENDITURES				
Instruction				
Basic programs	295	336	336	-
Adult and continuing education	13,363	5,147	4,077	1,070
Support services				
Pupil	445,474	422,450	273,417	149,033
Instructional staff	2,725,487	4,069,747	2,800,683	1,269,064
General administration	452,026	464,459	405,681	58,778
School administration	105,177	114,559	94,510	20,049
Business	1,224,084	1,079,911	1,002,478	77,433
Operations and maintenance	326,443	350,922	328,945	21,977
Pupil transportation services	59,773	64,514	62,593	1,921
Central	3,296,113	3,457,086	3,048,755	408,331
Community services	200,340	184,261	158,198	26,063
Outgoing transfers and other transactions	386,907	920,809	981,529	(60,720)
Total expenditures	9,235,482	11,134,201	9,161,202	1,972,999
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(166,913)</u>	\$ <u>400,915</u>	510,143	\$ <u>109,228</u>
Fund balance at July 1, 2007			<u>3,167,036</u>	
Fund balance at June 30, 2008			\$ <u>3,677,179</u>	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 12,622,000	\$ 12,954,985	\$ 13,859,392	\$ 904,407
State sources	7,158,844	7,569,079	7,757,245	188,166
Federal sources	8,707,257	8,785,801	8,092,331	(693,470)
Incoming transfers and other transactions	4,286,787	4,957,225	4,933,130	(24,095)
Total revenues	32,774,888	34,267,090	34,642,098	375,008
EXPENDITURES				
Instruction				
Adult and Continuing Education	5,442,151	5,197,993	5,018,597	179,396
Support services				
Pupil	1,858,512	1,916,934	1,791,776	125,158
Instructional staff	1,167,481	1,264,799	1,100,966	163,833
General administration	114,700	130,719	107,908	22,811
School administration	500,142	468,302	449,843	18,459
Business	131,600	46,100	1,250	44,850
Operations and maintenance	980,749	694,896	653,007	41,889
Pupil transportation services	4,100,000	4,358,702	5,045,598	(686,896)
Central	131,926	87,878	4,898	82,980
Community services	34,000	28,700	25,939	2,761
Outgoing transfers and other transactions	18,205,181	20,072,067	20,094,306	(22,239)
Total expenditures	32,666,442	34,267,090	34,294,088	(26,998)
Excess (deficiency) of revenues over (under) expenditures	\$ 108,446	\$ -	348,010	\$ 348,010
Fund balance at July 1, 2007			1,208,613	
Fund balance at June 30, 2008			\$ 1,556,623	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
 Cooperative Education Fund
 For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 1,494	\$ 1,583	\$ 1,676	\$ 93
Federal sources	5,822,476	6,042,191	5,966,855	(75,336)
Incoming transfers and other transactions	12,436	18,202	23,256	5,054
Total revenues	5,836,406	6,061,976	5,991,787	(70,189)
EXPENDITURES				
Support services				
General administration	2,500	3,270	3,270	-
Business	92,657	86,591	85,639	952
Pupil transportation services	604,098	678,251	641,367	36,884
Central	61,516	4,960	2,378	2,582
Community services	653,937	630,117	603,037	27,080
Outgoing transfers and other transactions	4,421,698	4,658,787	4,656,096	2,691
Total expenditures	5,836,406	6,061,976	5,991,787	70,189
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance at July 1, 2007			-	
Fund balance at June 30, 2008			\$ -	

Muskegon Area Intermediate School District
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
Vocational Education Fund
For the year ended June 30, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 4,612,316	\$ 5,094,817	\$ 5,035,557	\$ (59,260)
State sources	1,624,934	1,536,832	1,547,360	10,528
Federal sources	974,266	1,052,962	1,029,651	(23,311)
Incoming transfers and other transactions	3,563	3,563	5,635	2,072
Total revenues	7,215,079	7,688,174	7,618,203	(69,971)
EXPENDITURES				
Instruction				
Added needs	3,245,526	3,112,900	3,022,787	90,113
Adult and continuing education	30,910	30,904	14,689	16,215
Support services				
Pupil	360,668	365,151	349,008	16,143
Instructional staff	375,241	396,757	259,767	136,990
General administration	7,860	16,815	13,127	3,688
School administration	476,453	474,675	461,626	13,049
Business	1,600	1,600	1,509	91
Operations and maintenance	924,856	1,052,053	1,047,661	4,392
Pupil transportation services	16,550	23,035	16,691	6,344
Central	61,807	60,252	53,775	6,477
Outgoing transfers and other transactions	569,694	799,589	905,867	(106,278)
Total expenditures	6,071,165	6,333,731	6,146,507	187,224
Excess (deficiency) of revenues over (under) expenditures	\$ <u>1,143,914</u>	\$ <u>1,354,443</u>	1,471,696	\$ <u>117,253</u>
Fund balance at July 1, 2007			<u>10,824,162</u>	
Fund balance at June 30, 2008			\$ <u>12,295,858</u>	

OTHER SUPPLEMENTARY INFORMATION

Muskegon Area Intermediate School District
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2008

	Total other governmental funds	Food service	Capital projects	2003 Fiber capital project
ASSETS				
Cash and cash equivalents	\$ 713,960	\$ 18,482	\$ 695,478	\$ -
Investments	1,018,732	-	738,396	280,336
Accounts receivable	4,611	-	-	4,611
Due from other governmental units	-	-	-	-
Due from other funds	510,143	-	510,143	-
Total assets	<u>\$ 2,247,446</u>	<u>\$ 18,482</u>	<u>\$ 1,944,017</u>	<u>\$ 284,947</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 717,274	\$ 3,417	\$ -	\$ 713,857
Due to other funds	<u>4,746</u>	<u>4,746</u>	<u>-</u>	<u>-</u>
Total liabilities	722,020	8,163	-	713,857
Fund balances				
Reserved				
Capital projects	1,515,107	-	1,944,017	(428,910)
Unreserved				
Undesignated	<u>10,319</u>	<u>10,319</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,525,426</u>	<u>10,319</u>	<u>1,944,017</u>	<u>(428,910)</u>
Total liabilities and fund balances	<u>\$ 2,247,446</u>	<u>\$ 18,482</u>	<u>\$ 1,944,017</u>	<u>\$ 284,947</u>

Muskegon Area Intermediate School District
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

Other Governmental Funds
For the year ended June 30, 2008

	Total other governmental funds	Food service	Capital projects	2003 Fiber capital project
REVENUES				
Local sources				
Investment earnings	\$ 71,093	\$ 3,707	\$ 67,386	\$ -
Other	330	-	-	330
Total local sources	71,423	3,707	67,386	330
State sources	7,613	7,613	-	-
Federal sources	85,032	85,032	-	-
Total revenues	164,068	96,352	67,386	330
EXPENDITURES				
Food services	91,605	91,605	-	-
Debt service				
Principal	75,000	-	-	75,000
Interest and other charges	18,408	-	-	18,408
Capital projects	3,664	-	519	3,145
Total expenditures	188,677	91,605	519	96,553
Excess (deficiency) of revenues over (under) expenditures	(24,609)	4,747	66,867	(96,223)
OTHER FINANCING SOURCES				
Transfers from other governmental units	96,496	-	-	96,496
Transfers in	510,473	-	510,473	-
Transfers to other governmental units and other transactions	(4,747)	(4,747)	-	-
Total other financing sources	602,222	(4,747)	510,473	96,496
Net change in fund balances	577,613	-	577,340	273
Fund balances at July 1, 2007	947,813	10,319	1,366,677	(429,183)
Fund balances at June 30, 2008	\$ 1,525,426	\$ 10,319	\$ 1,944,017	\$ (428,910)

Muskegon Area Intermediate School District

**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2008

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 10, 2008

Board of Directors
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of Muskegon Area Intermediate School District as of and for the year ended June 30, 2008 and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Muskegon Area Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

BRICKLEY DELONG

Board of Directors
November 10, 2008
Page 2

Compliance

As part of obtaining reasonable assurance about whether Muskegon Area Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 10, 2008

Board of Directors
Muskegon Area Intermediate School District
Muskegon, Michigan

Compliance

We have audited the compliance of Muskegon Area Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its cluster of major federal programs for the year ended June 30, 2008. Muskegon Area Intermediate School District's cluster of major federal programs is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its cluster of major federal programs is the responsibility of Muskegon Area Intermediate School District's management. Our responsibility is to express an opinion on Muskegon Area Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Muskegon Area Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Muskegon Area Intermediate School District's compliance with those requirements.

In our opinion, Muskegon Area Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to its cluster of major federal programs for the year ended June 30, 2008.

Board of Directors
November 10, 2008
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Internal Control Over Compliance

The management of Muskegon Area Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Muskegon Area Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Muskegon Area Intermediate School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Muskegon Area Intermediate School District as of and for the year ended June 30, 2008 and have issued our report thereon dated November 10, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2008
					Prior year	Current year	Total	
U.S. Department of Education								
Direct programs:								
Fund for the Improvement of Education U215X050040	84.215	\$ 886,130	\$ 4,561	\$ 184,909	\$ 224,911	\$ 246,549	\$ 471,460	\$ 66,201
Programs passed through Michigan								
Department of Education:								
Adult Basic Education	84.002							
061130-710587		34,200	16,700	16,700	34,200	-	34,200	-
071130-710587		205,132	91,200	91,200	205,132	-	205,132	-
071190-710587		7,300	7,300	7,300	7,300	-	7,300	-
081130-810587		193,000	-	103,185	-	192,999	192,999	89,814
081190-810587		7,300	-	3,000	-	7,300	7,300	4,300
		446,932	115,200	221,385	246,632	200,299	446,931	94,114
Title I	84.010							
061570-0607		280,000	7,115	276,541	10,574	269,426	280,000	-
071570-0708		350,000	-	124,341	-	167,217	167,217	42,876
		630,000	7,115	400,882	10,574	436,643	447,217	42,876
Enhancing Opportunities EOSD	84.027							
080440-0708		4,000	-	3,487	-	3,999	3,999	512
080480-EOSD		55,000	-	46,294	-	55,000	55,000	8,706
080490-TS		70,000	-	47,852	-	70,000	70,000	22,148
		129,000	-	97,633	-	128,999	128,999	31,366
Special Ed Flowthrough	84.027A							
060450-0506		6,945,461	277,633	277,633	1,149,043	-	1,149,043	-
070450-0607		6,972,513	1,240,671	2,159,162	5,832,826	1,139,687	6,972,513	221,196
080450-0708		7,012,458	-	4,653,917	-	6,143,837	6,143,837	1,489,920
070480-EOSD		55,000	9,148	9,148	55,000	-	55,000	-
070490-TS		90,000	13,743	13,743	88,864	-	88,864	-
		21,075,432	1,541,195	7,113,603	7,125,733	7,283,524	14,409,257	1,711,116
Voc Education Regional Allocation	84.048A							
073540-7012-9		495,131	91,097	91,097	495,131	-	495,131	-
083520-8012-09		494,515	-	388,888	-	494,515	494,515	105,627
		989,646	91,097	479,985	495,131	494,515	989,646	105,627
Handicapped Preschool and School Program	84.173A							
060460-0506		293,631	3,304	3,304	34,935	-	34,935	-
070460-0607		289,031	42,963	106,115	225,181	63,850	289,031	698
080460-0708		288,623	-	173,005	-	251,536	251,536	78,531
		871,285	46,267	282,424	260,116	315,386	575,502	79,229

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2008
					Prior year	Current year	Total	
<i>U.S. Department of Education—Continued</i>								
Programs passed through Michigan Department of Education—continued								
Infant and Toddler Early Childhood Intervention Program	84.181							
061340-190		\$ 223,552	\$ 1,905	\$ 1,905	\$ 54,727	\$ -	\$ 54,727	\$ -
071340-190		221,974	18,932	70,791	151,844	70,130	221,974	18,271
081340-190		207,945	-	123,213	-	136,207	136,207	12,994
		653,471	20,837	195,909	206,571	206,337	412,908	31,265
Drug-Free Schools and Communities Act of 1986								
072860-0506	84.186	207,344	96,852	96,852	179,865	-	179,865	-
072860-0708		207,344	-	27,350	-	27,479	27,479	129
082860-0708		214,754	-	65,762	-	189,298	189,298	123,536
		629,442	96,852	189,964	179,865	216,777	396,642	123,665
Voc Education Technical Prep								
073540-7014-9	84.243A	97,490	5,055	5,055	97,490	-	97,490	-
083540-8014-9		100,745	-	84,958	-	100,745	100,745	15,787
		198,235	5,055	90,013	97,490	100,745	198,235	15,787
Title V Part A Innovation								
060250-0607	84.298	27,900	359	359	7,124	-	7,124	-
070250-0607		14,301	225	225	2,937	-	2,937	-
080250-0506		24,267	-	18,943	-	18,943	18,943	-
		66,468	584	19,527	10,061	18,943	29,004	-
Title IIA, Teacher Quality Form								
080520-0708	84.367	475	-	475	-	475	475	-
Total passed through the Michigan Department of Education		25,690,386	1,924,202	9,091,800	8,632,173	9,402,643	18,034,816	2,235,045
Total U.S. Department of Education		26,576,516	1,928,763	9,276,709	8,857,084	9,649,192	18,506,276	2,301,246
<i>U.S. Department of Agriculture</i>								
Programs passed through Michigan Department of Education:								
National School Lunch and Breakfast	10.555							
071950		6,477	-	1,070	5,407	1,070	6,477	-
081950		5,232	-	5,232	-	5,232	5,232	-
071960		63,268	3,006	11,733	46,059	8,727	54,786	-
081960		43,398	-	43,398	-	43,398	43,398	-
		118,375	3,006	61,433	51,466	58,427	109,893	-

Muskegon Area Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2008

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2007	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2008
					Prior year	Current year	Total	
<i>U.S. Department of Agriculture—Continued</i>								
Programs passed through Michigan Department of Education of Education—continued								
National School Breakfast Program	10.553							
071970 Breakfast		\$ 26,842	\$ 1,487	\$ 5,487	\$ 22,842	\$ 4,000	\$ 26,842	\$ -
081970 Breakfast		17,083	-	17,083	-	17,083	17,083	-
		43,925	1,487	22,570	22,842	21,083	43,925	-
National School Lunch and Breakfast	10.550							
Entitlement Commodities		4,136	-	4,136	-	4,136	4,136	-
Bonus Commodities		1,386	-	1,386	-	1,386	1,386	-
		5,522	-	5,522	-	5,522	5,522	-
Programs passed through Michigan Department of Community Health:								
Supplemental Nutrition Assistance Program	10.551							
Michigan Nutrition Network through MSU Extension PSC#478258		367,152	-	21,005	-	97,101	97,101	76,096
Total U.S. Department of Agriculture		534,974	4,493	110,530	74,308	182,133	256,441	76,096
<i>U.S. Department of Health and Human Services</i>								
Direct programs								
Head Start	93.600							
05CH8258/08		5,895,921	858,161	3,485,870	3,268,212	2,627,709	5,895,921	-
05CH8258/09		5,905,921	-	2,475,702	-	3,339,146	3,339,146	863,444
		11,801,842	858,161	5,961,572	3,268,212	5,966,855	9,235,067	863,444
Program passed through the Community Mental Health Services of Muskegon County:								
Great Start Collaborative	93.575							
0401MICCDF/07		70,000	17,500	35,000	52,500	17,500	70,000	-
		70,000	17,500	35,000	52,500	17,500	70,000	-
Program passed through the Early Childhood Investment Corporation:								
Great Start Collaborative	93.575							
ECIC-06-GSC-Musk009		247,500	-	105,217	82,805	105,217	188,022	-
ECIC-08-GSC-Musk009		165,000	-	44,323	-	44,323	44,323	-
		412,500	-	149,540	82,805	149,540	232,345	-
Program passed through the Michigan Department of Social Services:								
Medical assistance program XIX	93.778							
393		368,421	-	352,731	-	368,421	368,421	15,690
Total U.S. Department of Health and Human Services		12,652,763	875,661	6,498,843	3,403,517	6,502,316	9,905,833	879,134
<i>U.S. Department of Labor</i>								
Programs passed through the County of Muskegon:								
Workforce Investment Act	17.258							
27314013/WIA-05/06		379,627	(36,920)	-	33,511	36,920	70,431	-
27314013/WIA-06/07		316,908	50,725	209,390	262,986	53,922	316,908	(104,743)
27314013/WIA-07/08		343,550	-	481,148	-	343,550	343,550	(137,598)
Total U.S. Department of Labor		1,040,085	13,805	690,538	296,497	434,392	730,889	(242,341)
TOTAL FEDERAL ASSISTANCE		\$ 40,804,338	\$ 2,822,722	\$ 16,576,620	\$ 12,631,406	\$ 16,768,033	\$ 29,399,439	\$ 3,014,135

The notes accompanying are an integral part of this schedule.

Muskegon Area Intermediate School District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this
2. Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2008

Governmental funds financial statements

General Fund	\$ 1,649,427	
Special Education Fund	8,092,331	
Cooperative Education Fund	5,966,855	
Vocational Education Fund	1,029,651	
Other governmental funds (includes Food Service Fund)	<u>85,032</u>	\$ 16,823,296

Less state portion of ECIC grant included in federal revenues		<u>(55,263)</u>
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Expenditures per single audit report

Schedule of Expenditures of Federal Awards	<u><u>\$ 16,768,033</u></u>
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Muskegon Area Intermediate School District
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2008

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Muskegon Area Intermediate School District.
2. *No* significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of Muskegon Area Intermediate School District were disclosed during the audit.
4. *No* significant deficiencies in internal control were disclosed by the audit of the cluster of major federal award programs.
5. The auditors' report on compliance for the cluster of major federal award programs for Muskegon Area Intermediate School District expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a cluster of major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Education Special Education Cluster</i>	84.027 and 84.173

8. The threshold for distinguishing Types A and B programs was \$407,191.
9. Muskegon Area Intermediate School District was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

NONE

SUPPLEMENTAL INFORMATION

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

November 10, 2008

Board of Directors
Muskegon Area Intermediate School District
Muskegon, Michigan

We have audited the financial statements of Muskegon Area Intermediate School District as of and for the year ended June 30, 2008 and have issued our report thereon dated November 10, 2008. Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 14 - 20 is provided for purposes of additional analysis and is not a required part of the financial statements or the accompanying Schedule of Expenditures of Federal Awards. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements of Muskegon Area Intermediate School District and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Brickley DeLong, PLLC

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2007	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2008
Pass-through grantee						Prior year	Current year	Total	
Handicapped Preschool and School Program									
Fruitport Community Schools	84.027A	070450-0607	\$ 1,326,099	\$ 244,278	\$ 333,634	\$ 1,211,156	\$ 114,943	\$ 1,326,099	\$ 25,587
Holton Public Schools			19,540	254	254	19,540	-	19,540	-
Mona Shores Public Schools			555,498	81,698	81,698	555,498	-	555,498	-
Montague Public Schools			124,318	22,534	22,534	124,318	-	124,318	-
North Muskegon Public Schools			107,138	18,950	18,950	107,138	-	107,138	-
Oakridge Public Schools			100,514	22,574	22,574	100,514	-	100,514	-
Public Schools of the City of Muskegon			1,373,812	267,052	347,756	1,271,580	102,232	1,373,812	21,528
Ravenna Public Schools			82,191	14,007	14,007	82,191	-	82,191	-
Reeths-Puffer Schools			1,511,165	316,576	508,617	1,283,281	227,884	1,511,165	35,843
School District of the City of Muskegon Heights			531,605	62,572	271,665	322,512	209,093	531,605	-
Three Oaks Public Academy			37,033	19,521	19,521	37,033	-	37,033	-
Timberland Charter Academy			130,213	130,213	130,213	130,213	-	130,213	-
Tri-Valley Academy			50,174	25,936	25,936	50,174	-	50,174	-
WayPoint Academy			45,395	-	19,889	25,506	19,889	45,395	-
Whitehall District Schools			84,720	84,720	84,720	84,720	-	84,720	-
Total subrecipient amounts			<u>\$ 6,079,415</u>	<u>\$ 1,310,885</u>	<u>\$ 1,901,968</u>	<u>\$ 5,405,374</u>	674,041	<u>\$ 6,079,415</u>	<u>\$ 82,958</u>
Muskegon Area Intermediate School District							465,646		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 1,139,687</u>		
Fruitport Community Schools	84.027A	080450-0708	\$ 1,251,497	\$ -	\$ 854,147	\$ -	\$ 1,251,497	\$ 1,251,497	\$ 397,350
Holton Public Schools			49,350	-	42,076	-	49,350	49,350	7,274
Mona Shores Public Schools			528,858	-	435,851	-	528,858	528,858	93,007
Montague Public Schools			130,115	-	101,186	-	128,872	128,872	27,686
North Muskegon Public Schools			112,325	-	50,588	-	113,925	113,925	63,337
Oakridge Public Schools			171,952	-	108,176	-	163,813	163,813	55,637
Public Schools of the City of Muskegon			1,406,256	-	1,065,150	-	1,347,198	1,347,198	282,048
Ravenna Public Schools			124,901	-	90,080	-	124,901	124,901	34,821
Reeths-Puffer Schools			1,469,101	-	872,053	-	1,137,687	1,137,687	265,634
School District of the City of Muskegon Heights			465,928	-	356,837	-	463,345	463,345	106,508
Three Oaks Public Academy			38,726	-	18,225	-	38,726	38,726	20,501
Timberland Charter Academy			121,020	-	90,361	-	121,020	121,020	30,659
Tri-Valley Academy			31,465	-	21,071	-	31,465	31,465	10,394
WayPoint Academy			42,357	-	12,737	-	42,357	42,357	29,620
Whitehall District Schools			147,600	-	28,174	-	143,886	143,886	115,712
Total subrecipient amounts			<u>\$ 6,091,451</u>	<u>\$ -</u>	<u>\$ 4,146,712</u>	<u>\$ -</u>	5,686,900	<u>\$ 5,686,900</u>	<u>\$ 1,540,188</u>
Muskegon Area Intermediate School District							456,937		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 6,143,837</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

<u>Pass-through grantee</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Amount of subrecipient award</u>	<u>Due to (from) subrecipients July 1, 2007</u>	<u>Cash or payments in kind (cash basis)</u>	<u>Expenditures (accrual basis)</u>			<u>Due to (from) subrecipients June 30, 2008</u>
						<u>Prior year</u>	<u>Current year</u>	<u>Total</u>	
<i>Handicapped Preschool and School Program—Continued</i>	84.173A	070460-0607							
Fruitport Community Schools			\$ 87,695	\$ 6,079	\$ 56,907	\$ 36,867	\$ 50,828	\$ 87,695	\$ -
Mona Shores Public Schools			22,313	-	-	22,313	-	22,313	-
Public Schools of the City of Muskegon			61,231	13,413	13,413	61,231	-	61,231	-
Reeths-Puffer Schools			97,036	20,971	24,473	93,534	3,502	97,036	-
School District of the City of Muskegon Heights			12,454	3,609	3,644	12,345	109	12,454	74
Timberland Charter Academy			3,632	-	3,632	-	3,632	3,632	-
Total subrecipient amounts			<u>\$ 284,361</u>	<u>\$ 44,072</u>	<u>\$ 102,069</u>	<u>\$ 226,290</u>	58,071	<u>\$ 284,361</u>	<u>\$ 74</u>
Muskegon Area Intermediate School District							5,779		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 63,850</u>		
Fruitport Community Schools	84.173A	080460-0708	\$ 89,707	\$ -	\$ 35,678	\$ -	\$ 65,534	\$ 65,534	\$ 29,856
Mona Shores Public Schools			14,626	-	14,626	-	14,626	14,626	-
Public Schools of the City of Muskegon			64,842	-	54,516	-	64,842	64,842	10,326
Reeths-Puffer Schools			98,482	-	61,967	-	92,396	92,396	30,429
School District of the City of Muskegon Heights			10,238	-	10,238	-	10,238	10,238	-
Timberland Charter Academy			3,900	-	2,966	-	3,900	3,900	934
Total subrecipient amounts			<u>\$ 281,795</u>	<u>\$ -</u>	<u>\$ 179,991</u>	<u>\$ -</u>	251,536	<u>\$ 251,536</u>	<u>\$ 71,545</u>
Muskegon Area Intermediate School District							-		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 251,536</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2007	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2008
						Prior year	Current year	Total	
Adult Basic Education									
Fruitport Community Schools	84.002	081130-810587	\$ 9,436	\$ -	\$ 9,436	\$ -	\$ 9,436	\$ 9,436	\$ -
Orchard View Schools			63,099	-	63,099	-	63,099	63,099	-
Public Schools of the City of Muskegon			48,748	-	48,748	-	48,748	48,748	-
School District of the City of Muskegon Heights			26,293	-	26,293	-	26,293	26,293	-
Shelby Public Schools			12,905	-	12,905	-	12,905	12,905	-
Whitehall District Schools			22,868	-	22,868	-	22,868	22,868	-
Total subrecipient amounts			\$ 183,349	\$ -	\$ 183,349	\$ -	183,349	\$ 183,349	\$ -
Muskegon Area Intermediate School District							9,650		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 192,999		
Public Schools of the City of Muskegon	84.002	081190-810587	\$ 4,300	\$ -	\$ 4,300	\$ -	\$ 4,300	\$ 4,300	\$ -
Shelby Public Schools			2,635	-	2,635	-	2,635	2,635	-
Total subrecipient amounts			\$ 6,935	\$ -	\$ 6,935	\$ -	6,935	\$ 6,935	\$ -
Muskegon Area Intermediate School District							365		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 7,300		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2007	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2008
						Prior year	Current year	Total	
<i>Drug Free Schools and Communities Act of 1986</i>									
Public Schools of the City of Muskegon	84.186	072860-0708	\$ 20,410	\$ -	\$ 20,410	\$ -	\$ 20,410	\$ 20,410	\$ -
Muskegon Area Intermediate School District							7,069		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 27,479		
Fruitport Community Schools	84.186	082860-0708	\$ 10,313	\$ -	\$ 10,313	\$ -	\$ 10,313	\$ 10,313	\$ -
Hart Public Schools			7,396	-	-	-	7,259	7,259	7,259
Holton Public Schools			5,155	-	4,454	-	5,137	5,137	683
Mona Shores Public Schools			10,413	-	-	-	3,280	3,280	3,280
North Muskegon Public Schools			1,855	-	-	-	1,855	1,855	1,855
Oakridge Public Schools			8,654	-	-	-	8,654	8,654	8,654
Orchard View Schools			10,931	-	10,637	-	10,637	10,637	-
Public Schools of the City of Muskegon			27,630	-	16,150	-	27,620	27,620	11,470
Ravenna Public Schools			3,323	-	-	-	3,323	3,323	3,323
Reeths-Puffer Schools			11,833	-	11,833	-	11,833	11,833	-
School District of the City of Muskegon Heights			32,615	-	-	-	32,615	32,615	32,615
Shelby Public Schools			7,689	-	-	-	7,687	7,687	7,687
Walkerville Public Schools			2,657	-	-	-	2,657	2,657	2,657
WayPoint Academy			1,726	-	-	-	1,726	1,726	1,726
Whitehall District Schools			7,853	-	7,853	-	7,853	7,853	-
Total subrecipient amounts			\$ 150,043	\$ -	\$ 61,240	\$ -	142,449	\$ 142,449	\$ 81,209
Muskegon Area Intermediate School District							46,849		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 189,298		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2007	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2008
						Prior year	Current year	Total	
Head Start									
Fruitport Community Schools	93.600	05CH8258/08	\$ 265,642	\$ 62,350	\$ 180,953	\$ 147,039	\$ 118,603	\$ 265,642	\$ -
Hart Public Schools			178,292	5,722	77,551	106,463	71,829	178,292	-
Orchard View Schools			805,528	211,304	595,962	420,870	384,658	805,528	-
Public School of the City of Muskegon			1,503,021	207,296	886,737	823,580	679,441	1,503,021	-
School District of the City of Muskegon Heights			621,304	164,201	442,561	342,944	278,360	621,304	-
Shelby Public Schools			294,678	18,801	152,105	161,374	133,304	294,678	-
Whitehall District Schools			853,909	158,976	519,902	492,983	360,926	853,909	-
Total subrecipient amounts			\$ 4,522,374	\$ 828,650	\$ 2,855,771	\$ 2,495,253	2,027,121	\$ 4,522,374	\$ -
Muskegon Area Intermediate School District							600,588		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 2,627,709		
Fruitport Community Schools	93.600	05CH8258/09	\$ 146,827	\$ -	\$ 122,480	\$ -	\$ 135,793	\$ 135,793	\$ 13,313
Hart Public Schools			109,325	-	55,712	-	108,130	108,130	52,418
Orchard View Schools			488,432	-	327,488	-	464,972	464,972	137,484
Public School of the City of Muskegon			886,252	-	657,314	-	841,508	841,508	184,194
School District of the City of Muskegon Heights			361,925	-	311,947	-	352,842	352,842	40,895
Shelby Public Schools			185,439	-	133,490	-	169,905	169,905	36,415
Whitehall District Schools			522,382	-	115,049	-	481,268	481,268	366,219
Total subrecipient amounts			\$ 2,700,582	\$ -	\$ 1,723,480	\$ -	2,554,418	\$ 2,554,418	\$ 830,938
Muskegon Area Intermediate School District							784,728		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 3,339,146		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

<u>Pass-through grantee</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Amount of subrecipient award</u>	<u>Due to (from) subrecipients July 1, 2007</u>	<u>Cash or payments in kind (cash basis)</u>	<u>Expenditures (accrual basis)</u>			<u>Due to (from) subrecipients June 30, 2008</u>
						<u>Prior year</u>	<u>Current year</u>	<u>Total</u>	
<i>Medical Assistance Program XIX</i>	93.778	393							
Fruitport Public Schools			\$ 48,712	\$ 6,744	\$ 53,900	\$ -	\$ 48,712	\$ 48,712	\$ 1,556
Holton Public Schools			8,666	1,468	9,580	-	8,666	8,666	554
Mona Shores Public Schools			25,567	4,052	28,072	-	25,567	25,567	1,547
Montague Public Schools			9,416	1,947	11,363	-	9,416	9,416	-
North Muskegon Public Schools			5,679	1,103	6,096	-	5,679	5,679	686
Oakridge Public Schools			22,448	3,945	25,435	-	22,448	22,448	958
Orchard View Schools			20,733	4,719	25,206	-	20,733	20,733	246
Public Schools of the City of Muskegon			93,689	9,958	99,217	-	93,689	93,689	4,430
Ravenna Public Schools			9,916	1,716	11,201	-	9,916	9,916	431
Reeths-Puffer Schools			38,143	8,303	45,391	-	38,143	38,143	1,055
School District of the City of Muskegon Heights			18,984	2,476	20,625	-	18,984	18,984	835
Three Oaks Public Academy			114	-	52	-	114	114	62
Whitehall District Schools			19,557	3,747	23,199	-	19,557	19,557	105
Total subrecipient amounts			\$ <u>321,624</u>	\$ <u>50,178</u>	\$ <u>359,337</u>	\$ <u>-</u>	321,624	\$ <u>321,624</u>	\$ <u>12,465</u>
Muskegon Area Intermediate School District							46,797		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ <u>368,421</u>		

Muskegon Area Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS—CONTINUED
For the year ended June 30, 2008

Muskegon Area Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2007	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2008
						Prior year	Current year	Total	
<i>Workforce Investment Act</i>									
Fruitport Public Schools	17.258	27314013/WIA-07/08	\$ 69,129	\$ -	\$ 33,337	\$ -	\$ 69,129	\$ 69,129	\$ 35,792
Orchard View Schools			25,840	-	13,196	-	25,840	25,840	12,644
Public Schools of the City of Muskegon			92,836	-	31,158	-	92,836	92,836	61,678
School District of the City of Muskegon Heights			39,526	-	12,593	-	39,526	39,526	26,933
Shelby Public Schools			45,031	-	12,581	-	45,031	45,031	32,450
Whitehall District Schools			71,188	-	11,024	-	71,188	71,188	60,164
Total subrecipient amounts			\$ 343,550	\$ -	\$ 113,889	\$ -	343,550	\$ 343,550	\$ 229,661
Muskegon Area Intermediate School District							-		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							\$ 343,550		

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 10, 2008

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully advises you that there were ***no*** audit findings reported in our single audit report, dated November 6, 2007, for the year ended June 30, 2007.

Sincerely,

A handwritten signature in black ink that reads "Marios Demetriou". The signature is written in a cursive, flowing style.

Marios Demetriou
Associate Superintendent

CORRECTIVE ACTION PLAN

November 10, 2008

Michigan Department of Education
Lansing, Michigan

Muskegon Area Intermediate School District respectfully submits the following Corrective Action Plan for the year ended June 30, 2008.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2008

The findings from the Schedule of Findings and Responses for the year ended June 30, 2008 provided **no** findings in either Section B or Section C. Accordingly, there are **no** matters requiring corrective action as shown below.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

There were **no** compliance findings and **no** significant deficiencies in relation to the financial statement audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

There were **no** compliance findings and **no** significant deficiencies in relation to the major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Marios Demetriou at (231) 767-7207.

Sincerely,



Marios Demetriou
Associate Superintendent